RESPONSE TO THE BASEL COMMITTEE´S REQUEST FOR COMMENTS ON THE CONSULTATIVE DOCUMENT "*SOUND PRACTICES: IMPLICATIONS OF FINTECH DEVELOPMENTS FOR BANKS AND BANK SUPERVISORS*"

Buenos Aires, 30th October 2017

Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel, Switzerland

Ref.: Consultative Document "Implications of Fintech developments"- Fit & Proper´s comments

Dear Committee Members,

We are pleased to submit the following Fit & Proper´s comments and suggestions in response to the Consultative Document "S*ound practices: Implications of Fintech developments for banks and ban*k supervisors*"*, issued by the Basel Committee on Banking Supervision (BCBS) on August 2017.

Fit & Proper LLC provides advisory and consulting services on issues related to banking supervision and regulation, central banking, financial institutions and financial inclusion and microfinance, among others. On this regard, Fit & Proper provides services to banking supervisors, central banks, deposit insurance agencies, ministries of finance and multilateral organizations, including the Interamerican Development Bank, the International Monetary Fund, and the World Bank. Fit & Proper and its consultants have experience in more than 40 countries. You can find further information in www.fitproper.com.

These comments were prepared by Javier Bolzico and Natalia Teplitz.

We would like to express our appreciation to the BCBS for the opportunity to provide feedback on this Consultative Document.

Furthermore, we would like to take the opportunity to congratulate the BCBS for the good job that they are carrying on by providing insight into the development of Fintech, exploring its implications, and identifying and assessing its risks and challenges, both for banks and bank supervisors. We believe that this document will be an important instrument to guide banks and bank supervisors on ensuring the soundness of the banking system while minimizing the risk of inadvertently inhibiting innovation in the financial sector.

We would be pleased to provide more information or further discussion on any of these issues. If you have any comments or questions, please feel free to contact us at info@fitproper.com.

Yours faithfully,

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Comments / suggestions on Consultative Document *"Sound practices: Implications of Fintech developments for banks and bank supervisors"*

This consultative document is a very timely and useful report, which addresses most of the relevant issues regarding the impact of Fintech both on banks and bank supervisors, and identifies its main risks and challenges.

One issue that we consider is very relevant regarding the impact of Fintech on banks is related to taxation.

In many jurisdictions similar financial services (for instance, payments and transfers) are not only subject to different regulation, but they also have different tax treatment. Sometimes, Bigtech are not even taxed in the jurisdiction where they provide services competing with local banks.

Even though tax policy is not part of bank supervisors' responsibilities, supervisors must take care about those issues that may cause competitive disadvantages on the banking system, since it may threat the stability of banks.

Banks should compete in the Fintech ecosystem in a "level playing field". Differential tax treatment, gaps or loopholes may lead to distortions on competition, which may be as worrying as other regulatory issues.

On this regard, we suggest:

- To address taxation issues in the document as part of the analysis of the implications of Fintech developments on banks and bank supervisors.
- To include issues about level playing field regarding bank regulation and taxation as part of the best practices related to Fintech.
- To promote the interaction and cooperation among supervisors and tax authorities in order to assure a competitive Fintech environment with equal treatment for all the players involved.